

New Jersey Tourism:

2002 in Review and a Look Ahead at the 2003 and 2004 Seasons

Prepared for:
The New Jersey Office of Travel & Tourism

April 2003

New Jersey Tourism Strategic Research

I. Review of 2002

- **Past Performance**
- **Visitor Profile**
- **Positioning**
- **Target Markets**

II. A Look Ahead

- **Econometric-based forecasts of travel to New Jersey by market segment through 2005**
- **Strategic implications of forecasts**

III. Economic Impact Analysis Preview



Review of 2002: Executive Summary

- **Visitors:** New Jersey hosted 60.8 million visitors in 2002- a 2% increase from 59.7 million in 2001. The rise in the visitation volume was the result of an increase in the leisure segment.
- **Spending:** Visitor spending rose 8% in 2002 with an increase of 6.3% in average daily expenditure. Increases were highest in shopping (+18%), entertainment (+13%) and food (+10%).

Primary data from DK Shifflet and Associates. Data based on first three quarters of 2002 and estimates for the fourth quarter.



Review of 2002: Executive Summary

- **Income:** The average household income of NJ's visitors was \$77,410. NJ attracted a higher share of travelers with household incomes above \$50,000 and particularly above \$75,000 than the US.
- **Accommodation type:** Approximately 50% of visitor nights are Hotel/Motel/B&B stays. Nearly 40% are in either home rentals or second homes.

Review of 2002: Executive Summary

- **Purpose of Stay:** Weekend travel accounted for 21% of all trips. Day trips account for 57%. Total leisure trips comprise 80%.
- **Top activities:** Diverse attractions make NJ a more multi-activity destination than most states. The top activities among New Jersey's visitors were Dining (32%), Entertainment (28%), Gambling (24%), Shopping (22%) and Beach/Waterfront (22%).
- **Main Mode of Transportation:** Auto transportation is by far the main mode of transportation with 84% of trips.



Review of 2002: Executive Summary

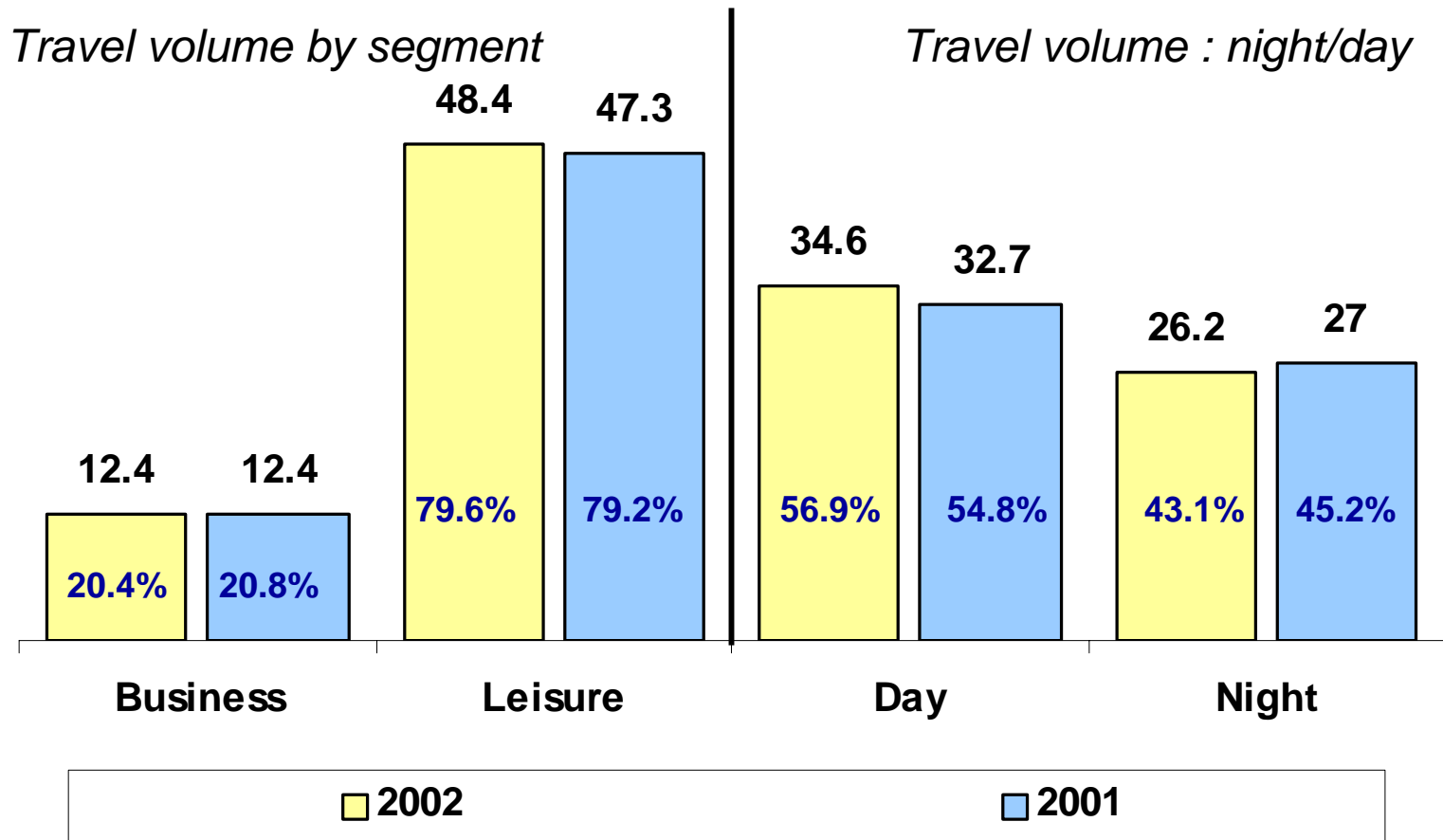
- **Top Origin States:** New Jersey's top origin states in 2002 were New Jersey (34%), New York (25%) and Pennsylvania (19%), tallying nearly 80% of all NJ's travelers.
- **Origin DMA's:** New Jersey's top origin DMA's in 2002 were New York, NY (50%) and Philadelphia, PA (25%).

Review of 2002: Market Assessment

- **Market Size and Share**
- **Traveler Expenditures**

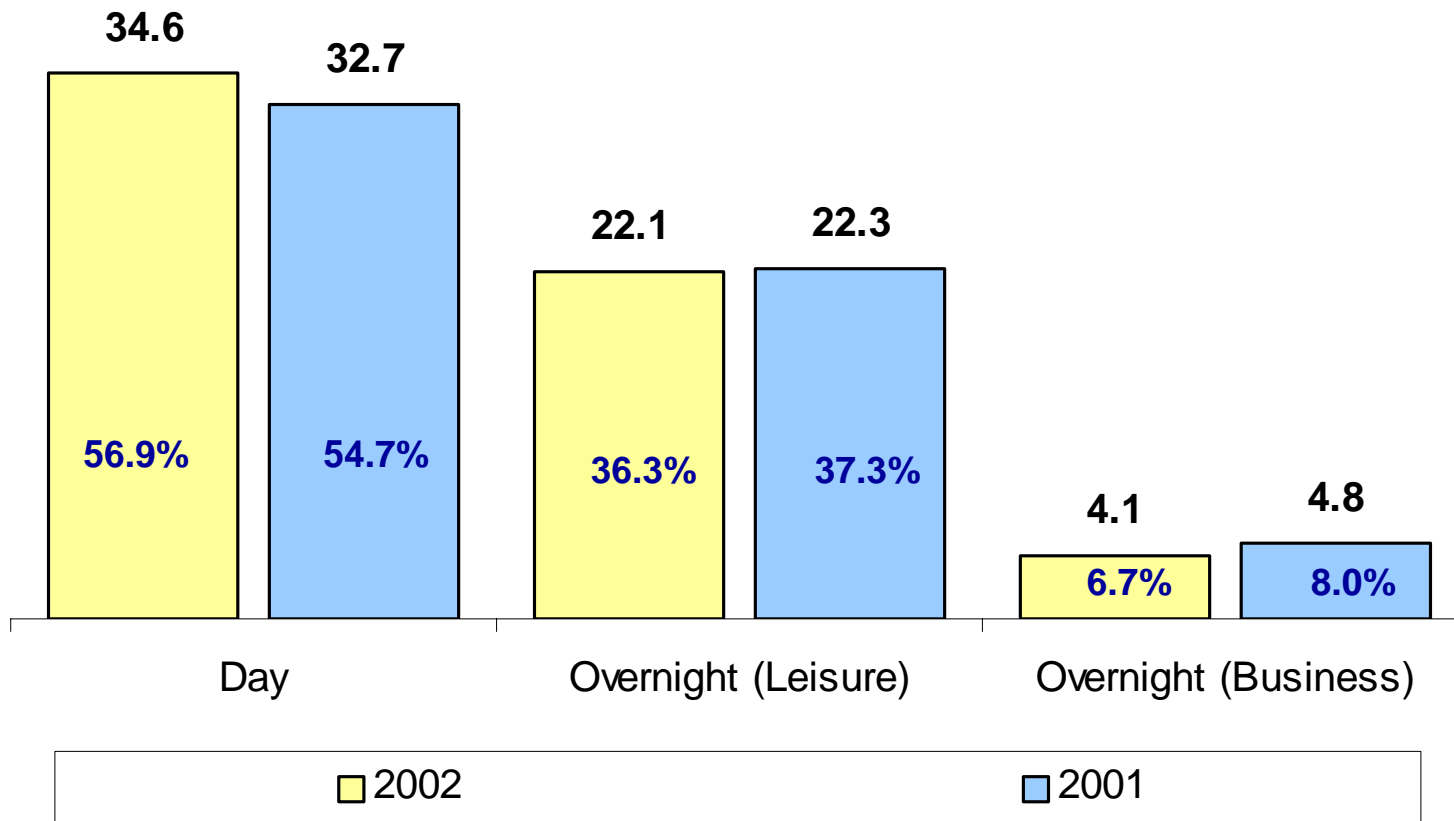
New Jersey Travel Volume and Share (Million Persons)

Trip volume rose to 60.8 million in 2002 from 59.7 million in 2001 as a result of an increases in Day trips and in the Leisure segment.



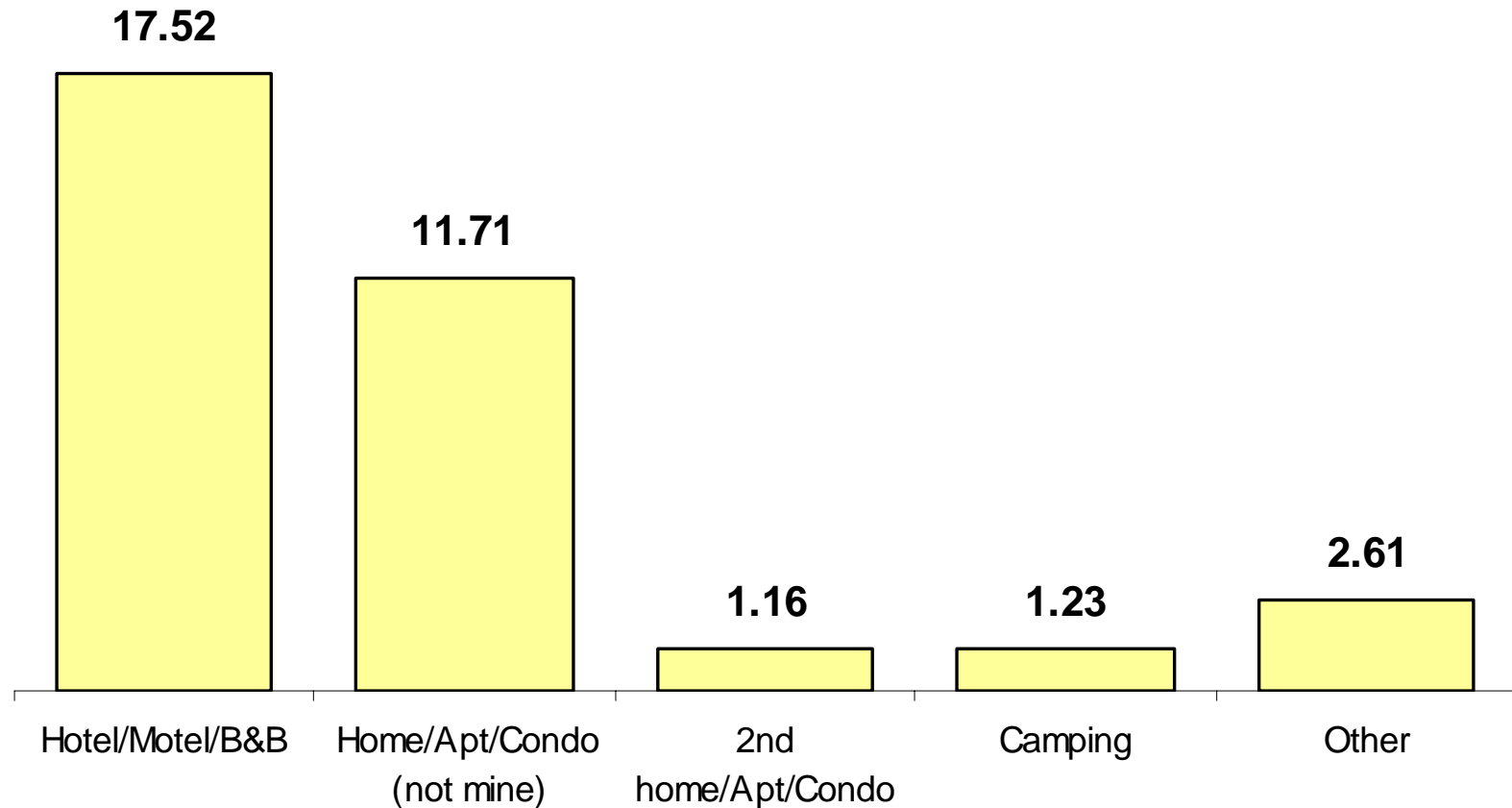
New Jersey Travel Volume and Share (Million Persons)

Day travel rose to 34.6 million in 2002 from 32.7 million in 2001 and overnight leisure remained relatively stable at 22.1 million.



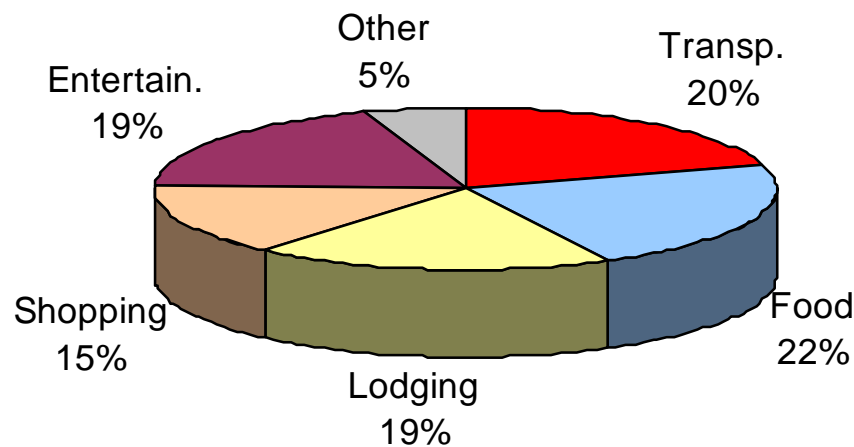
New Jersey Room Nights Volume (Millions)

Visitors spent 34.2 million room nights in New Jersey in 2002. Most are spent in Hotel/Motel/B&B and Home/Apt/Condo (not mine).



Spending Distribution

Average daily expenditure increased 6.3% in 2002 with strongest gains in shopping, entertainment and food.



NJ Daily Expenditure

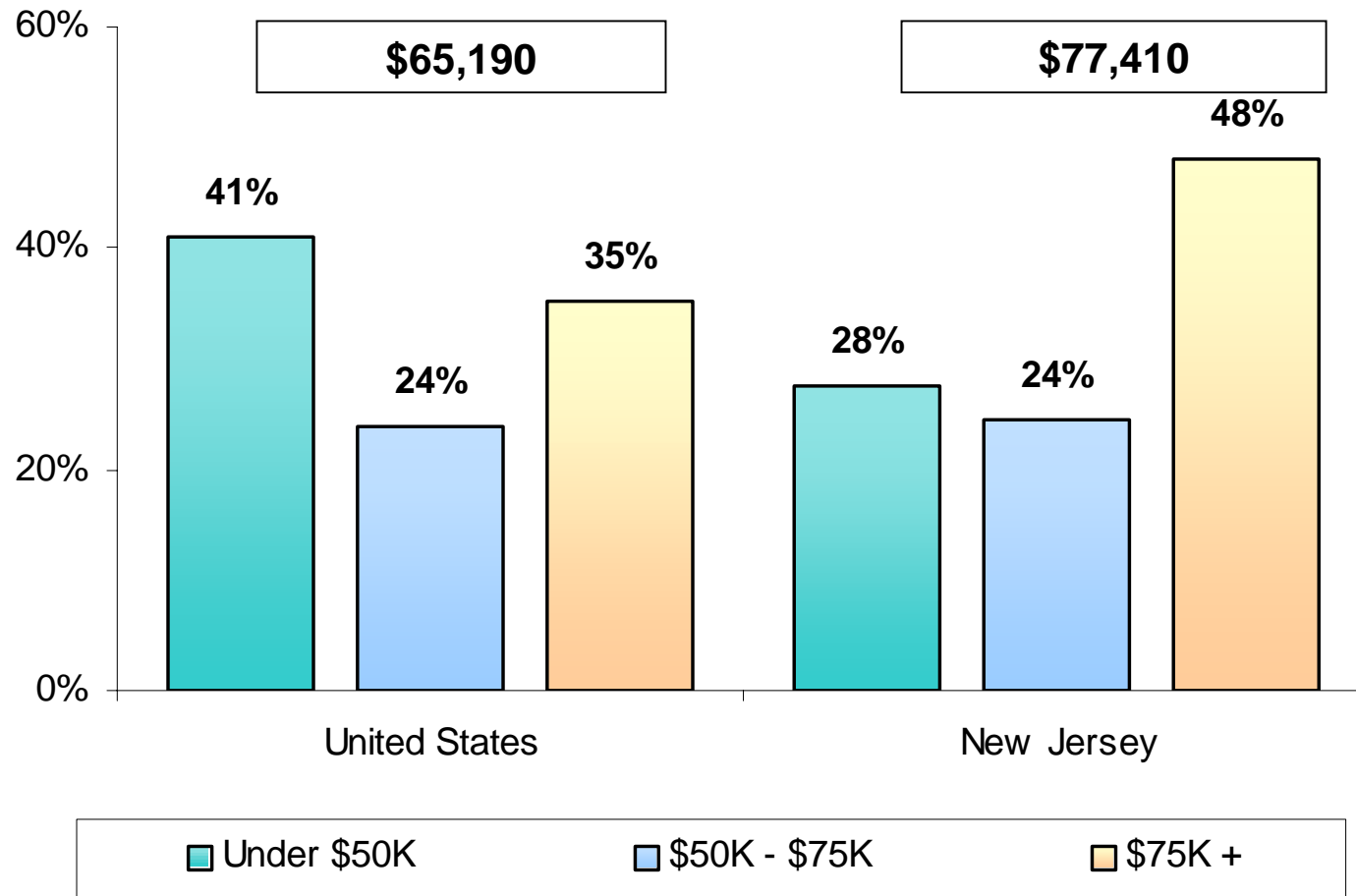
Total	(+6.3%)
Transportation	(- 3.9%)
Food	(+10.0%)
Room	(+0.0%)
Shopping	(+17.9%)
Entertainment	(+13.3%)
Miscellaneous	(+5.5)

Review of 2002: Visitor Profile

- **Income**
- **Age**
- **Marital Status**

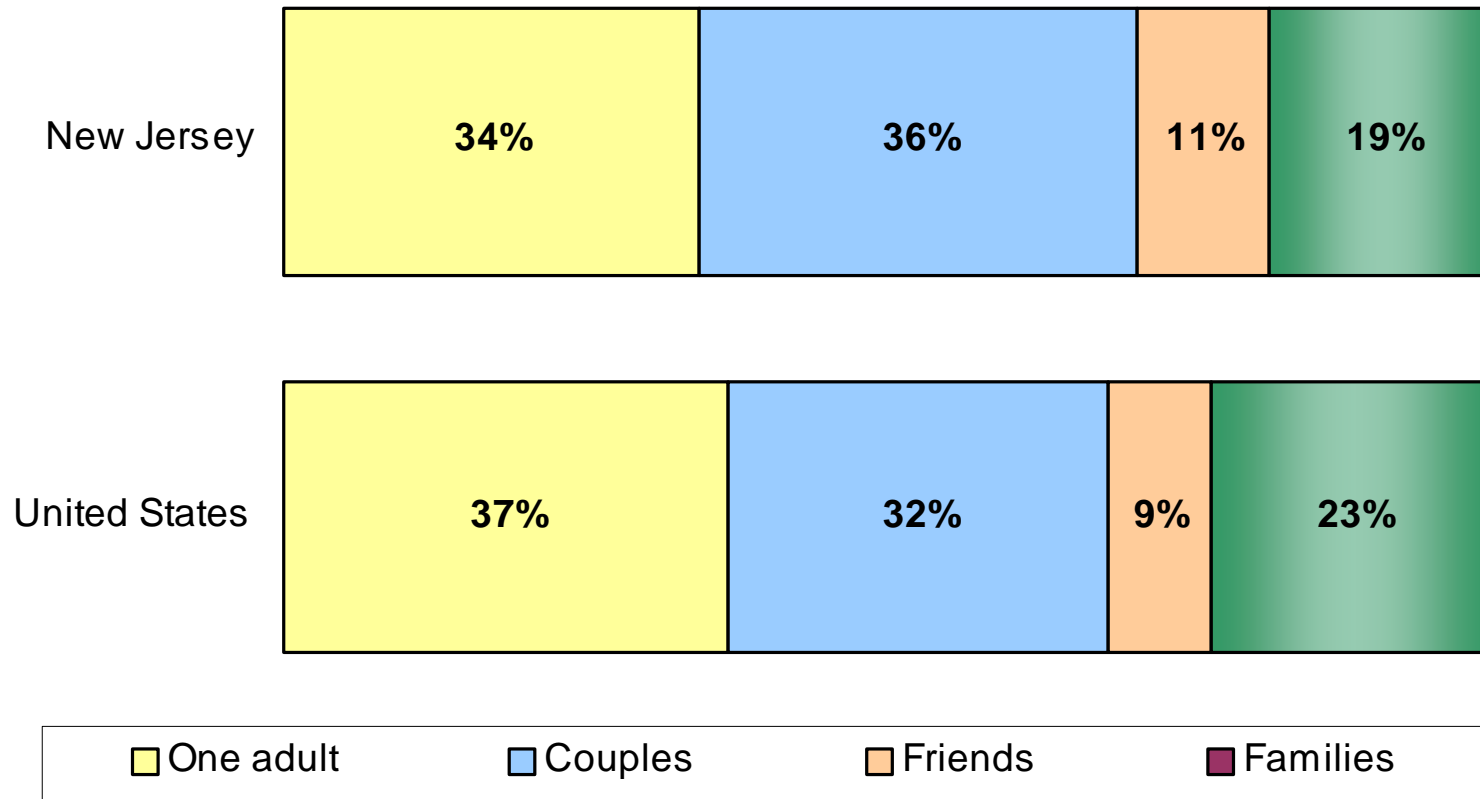
Traveler Household Traveler Distribution

The average annual household income of New Jersey Travelers is \$77,410 in 2002, and is still higher than that of US travelers.



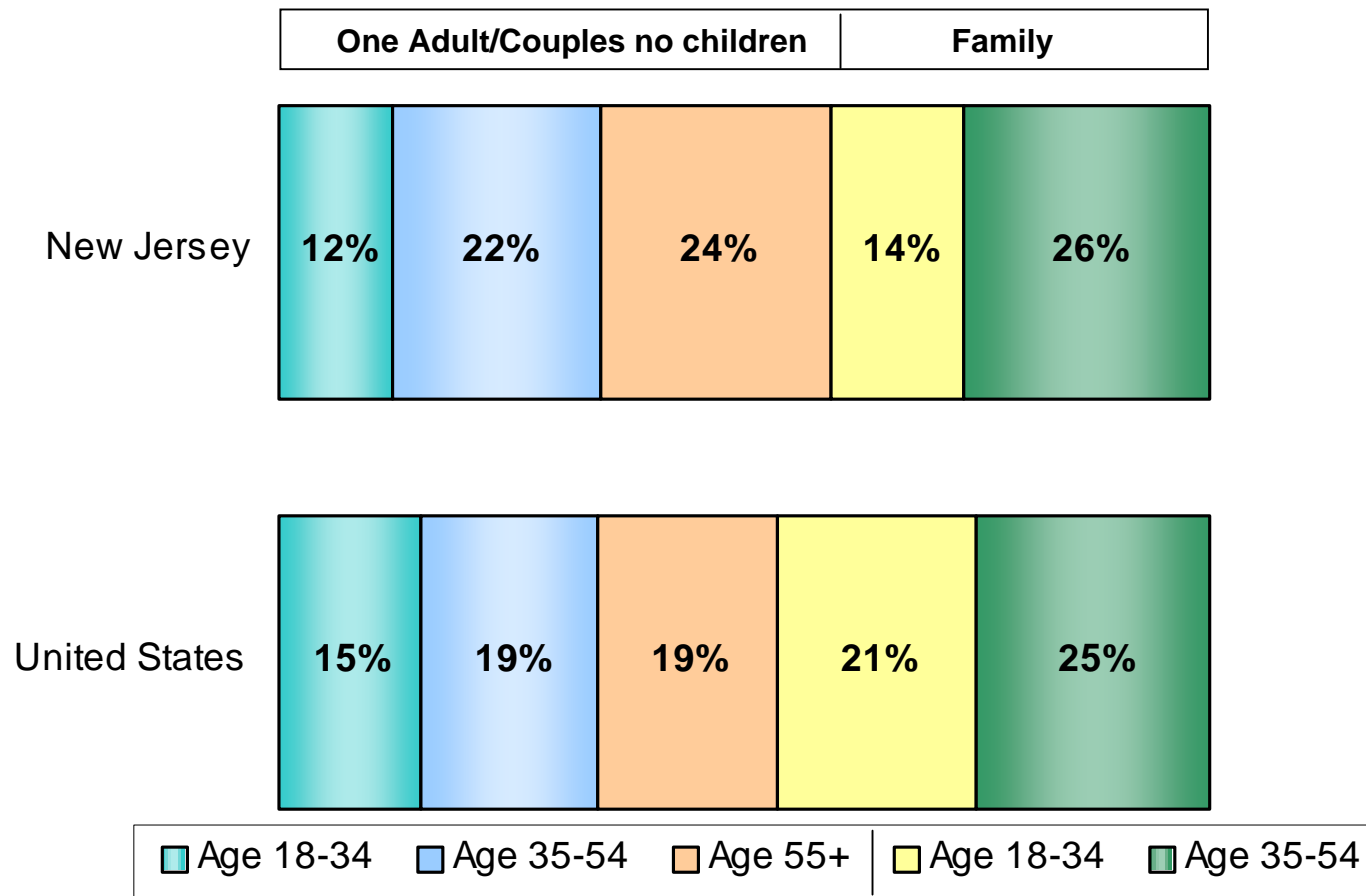
Traveler by Party Composition

New Jersey is relatively popular for couples and groups of friends in comparison to the nation. One adult and couples comprise 70% of the total.



New Jersey Traveler Age by Party Composition

New Jersey is also particularly popular among older adults and families. Together, these segments comprise 50% of the total market.

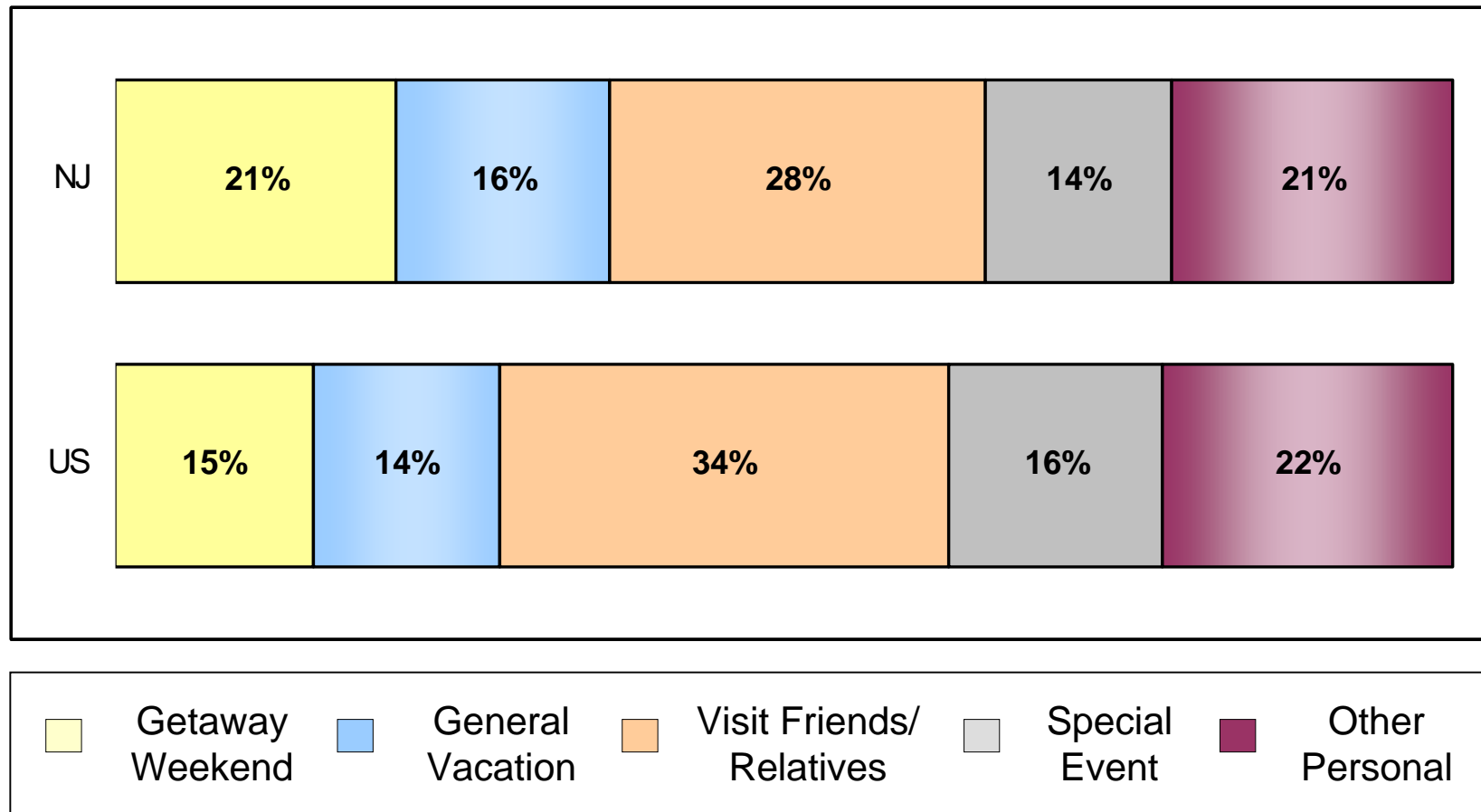


Review of 2002: Positioning

- **Activities**
- **Length of Stay**
- **Accommodation**

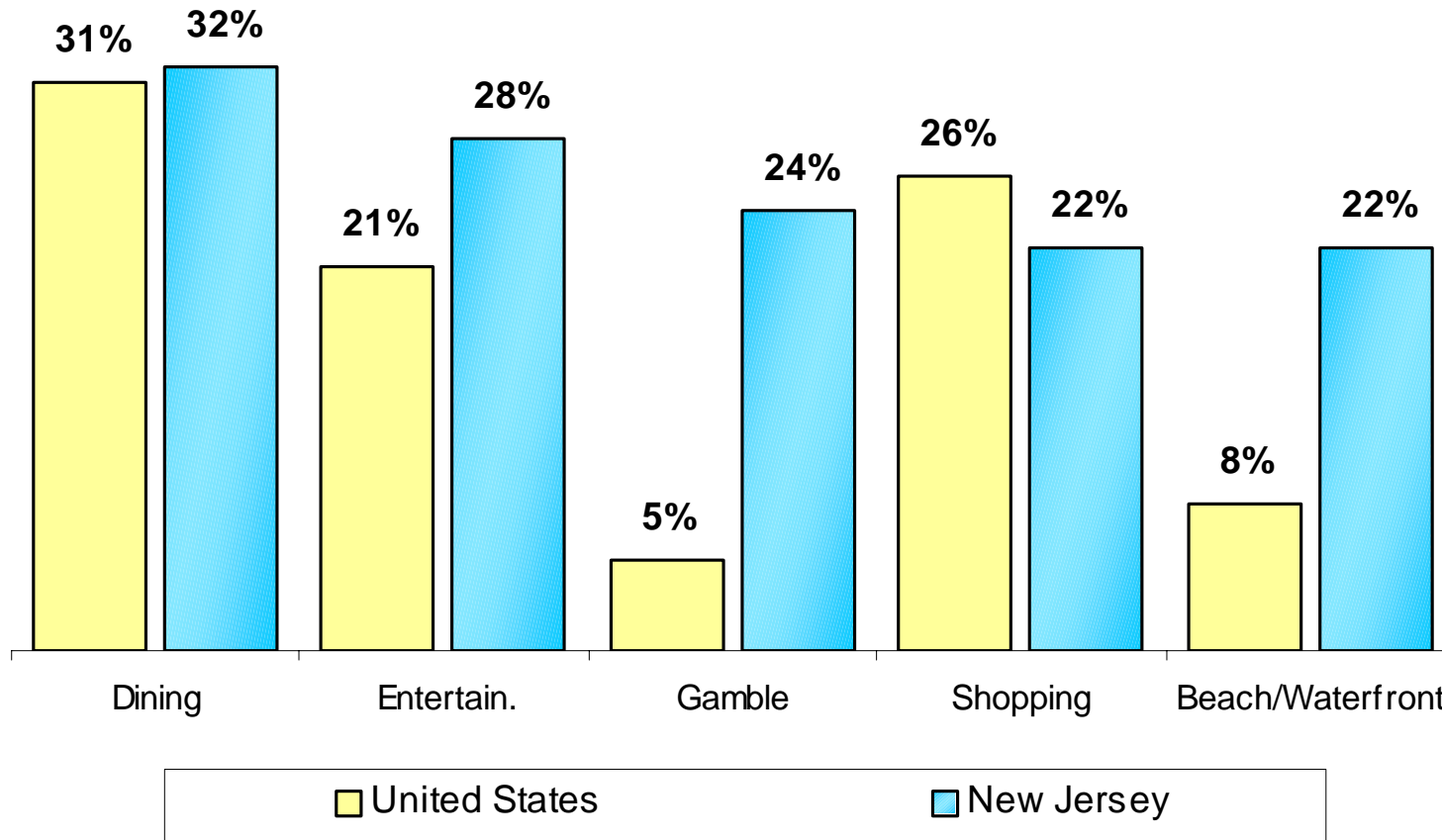
Traveler Purpose of Stay Distribution

New Jersey attracted a higher share of Getaway Weekend travel than the US, but a lower share of Visit Friends/Relatives.



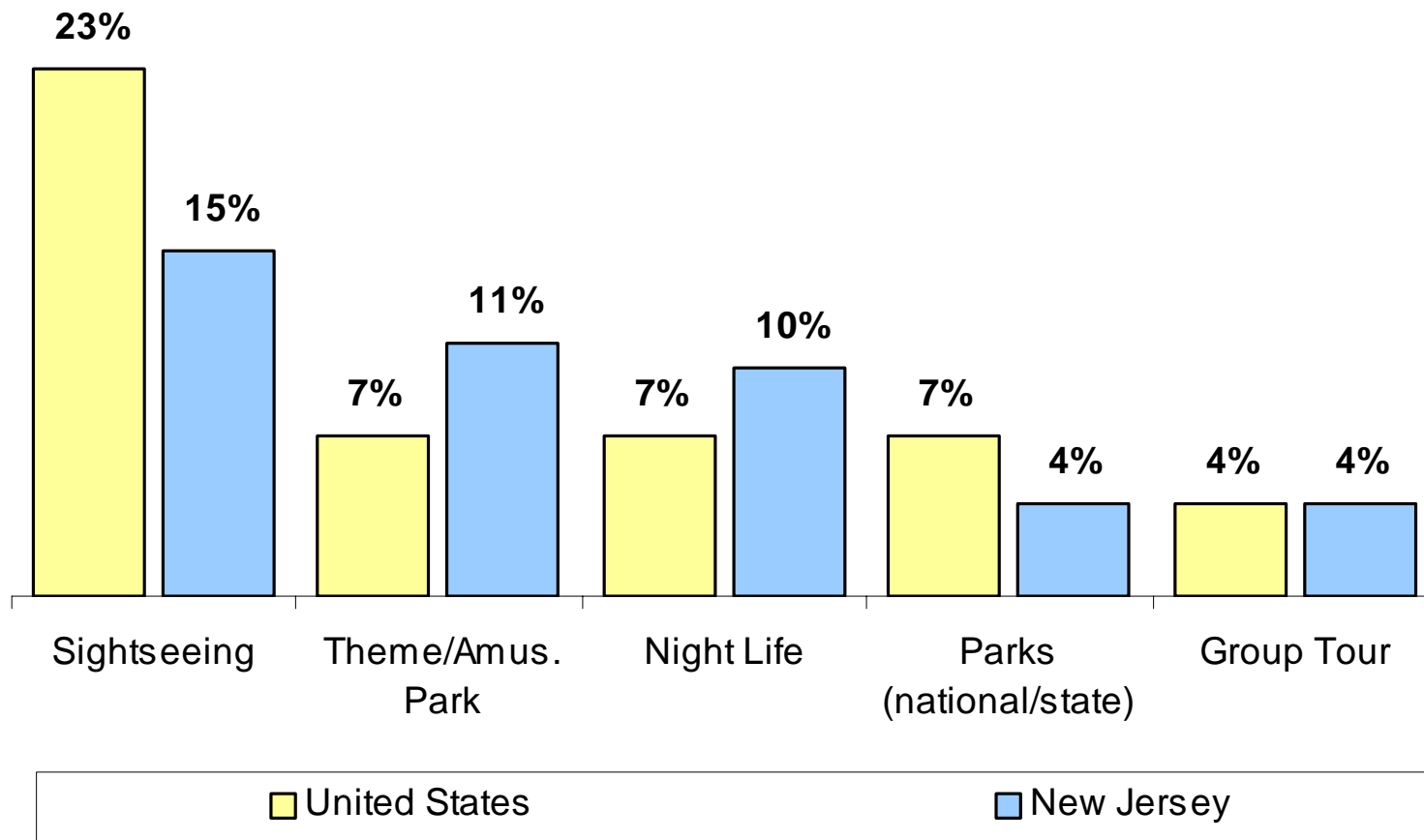
Top Activities

New Jersey's diverse attractions push it ahead of the nation in terms of entertainment, gambling, beach/waterfront and dining.



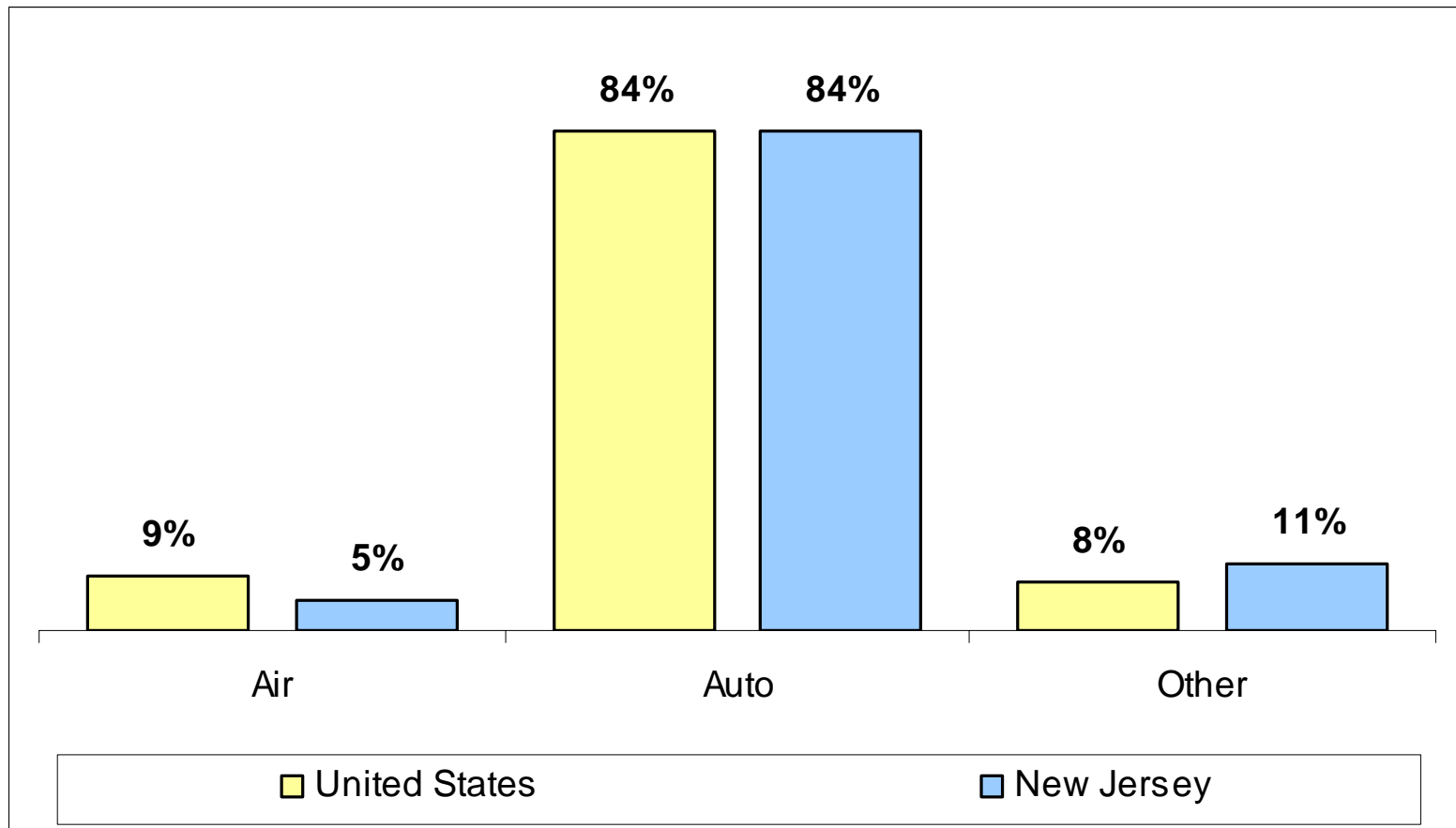
Top Activities (contd.)

New Jersey also drew visitors to its theme parks and night life at a higher rate than the U.S.



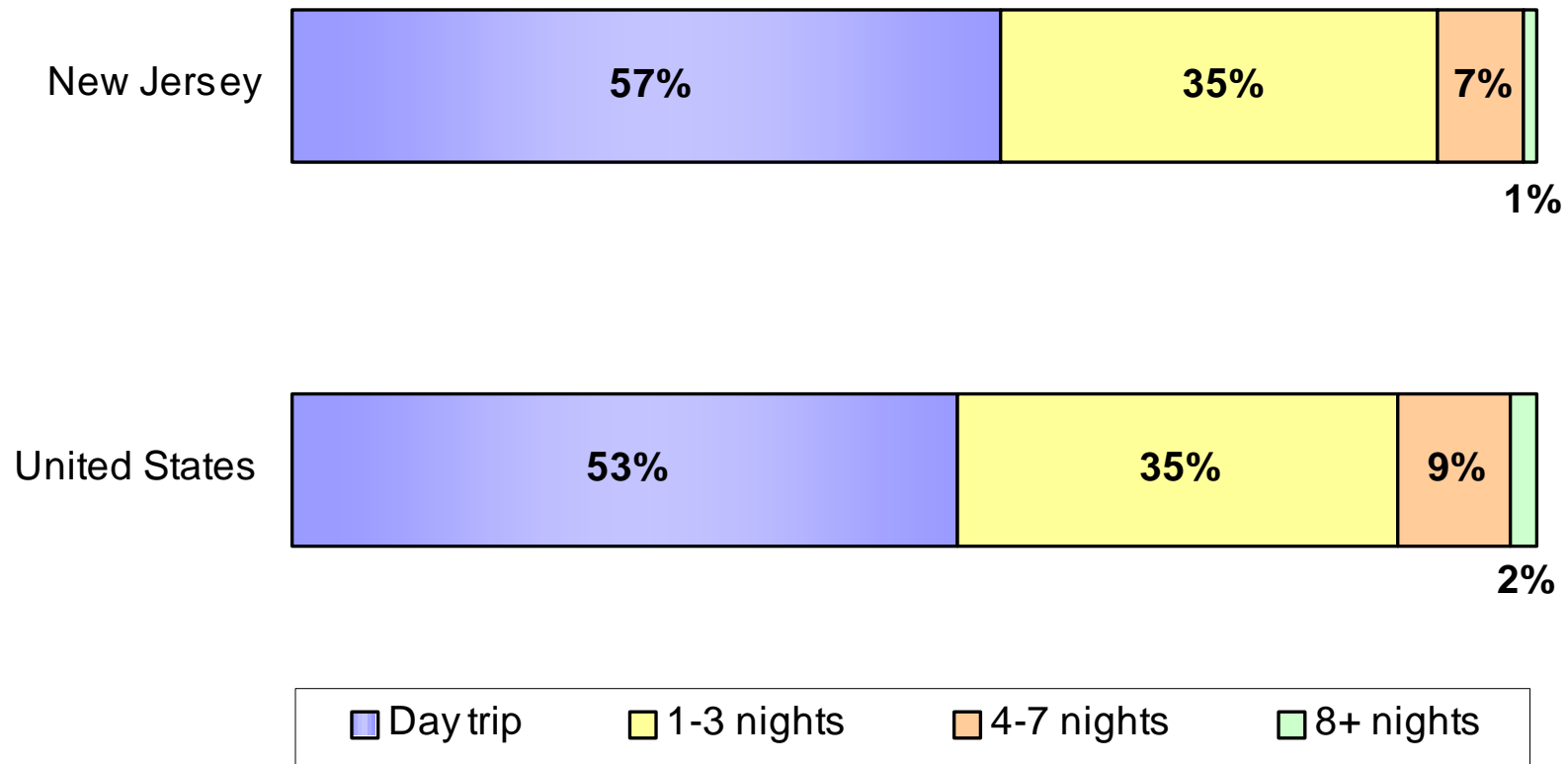
Traveler Main Mode of Transportation

New Jersey is primarily a drive market with 84% of all trips by automobile.



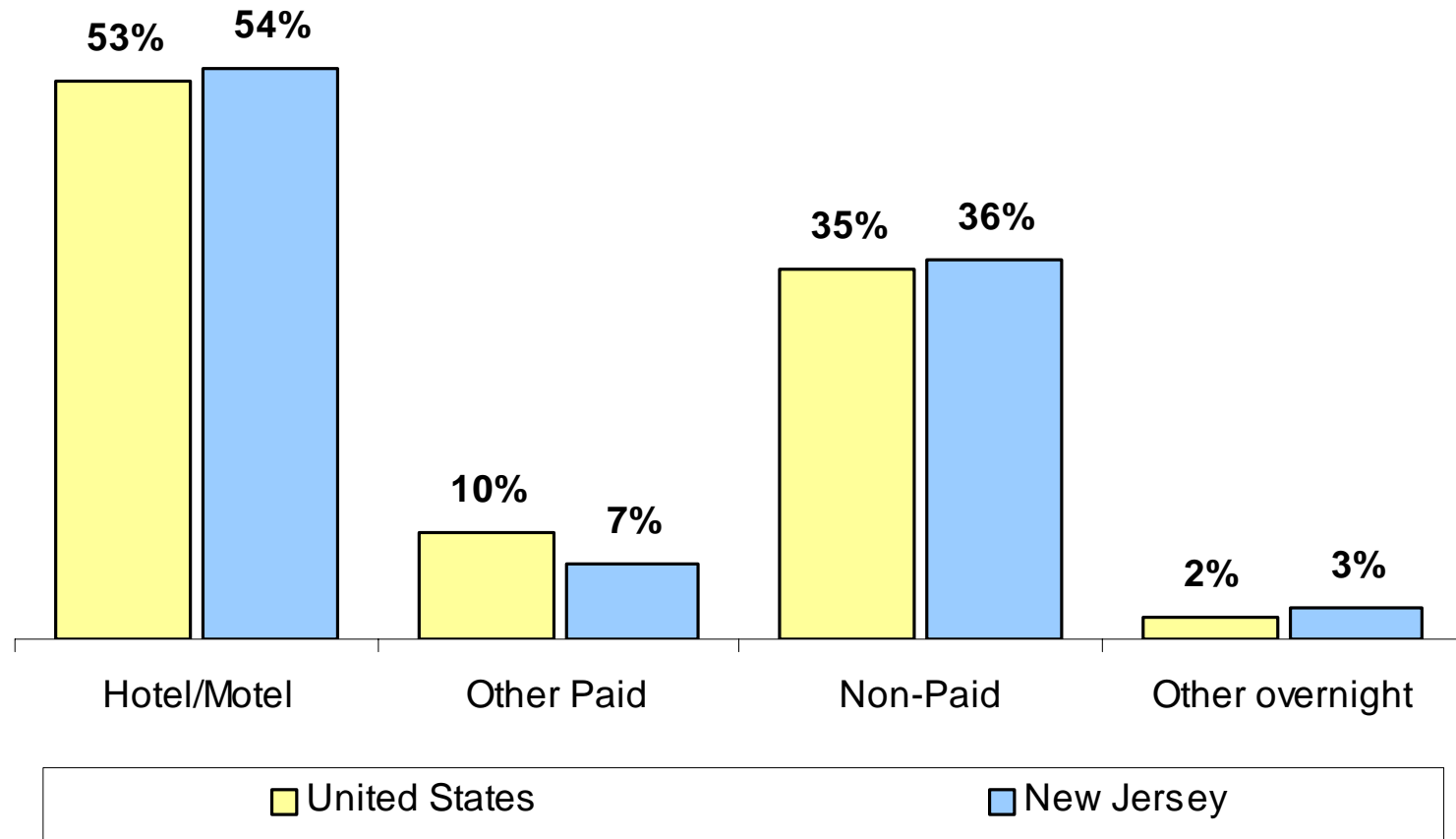
Traveler Stay Length

Stays of 1-3 nights accounted for more than one third of visits in New Jersey. Day trips are the most frequent while 8+ nights stays are rare.



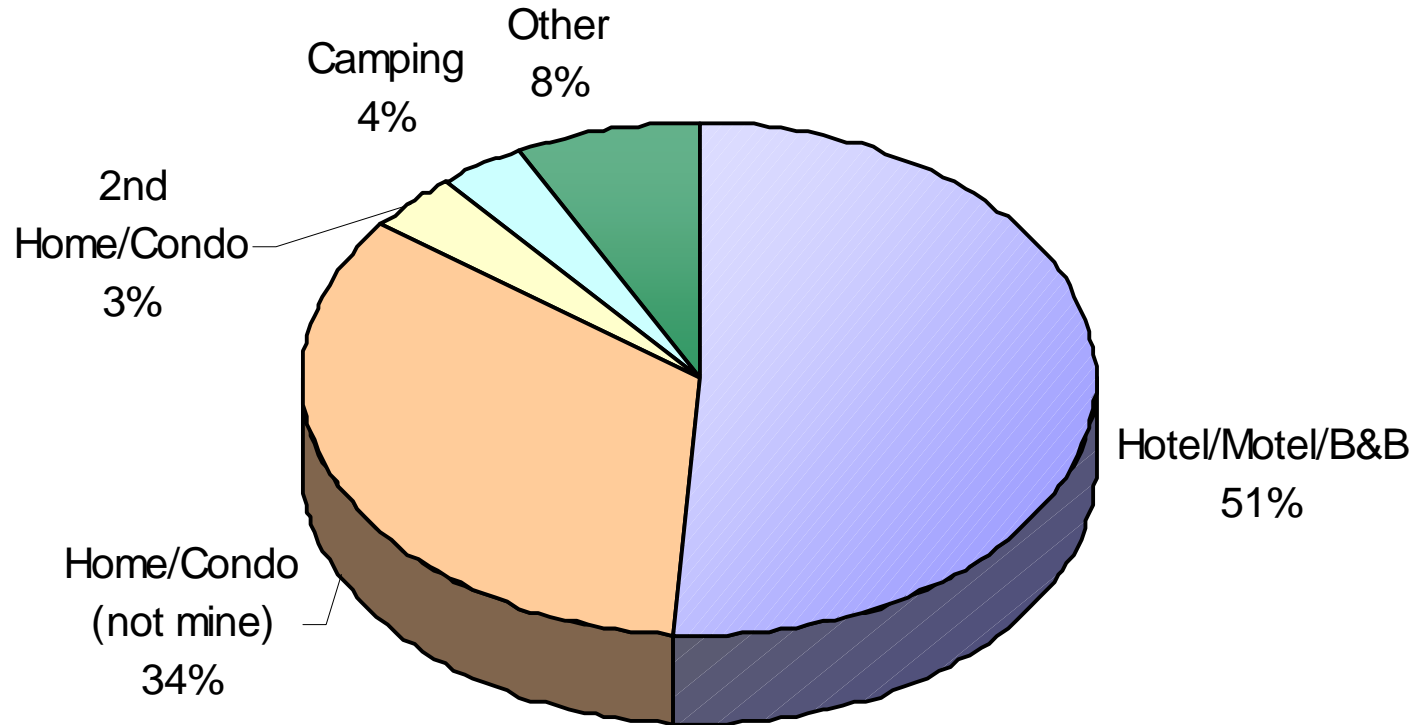
Traveler Accommodation Choice (Person-Trips based)

Slightly over half of overnight visitors stayed in a hotel/motel.



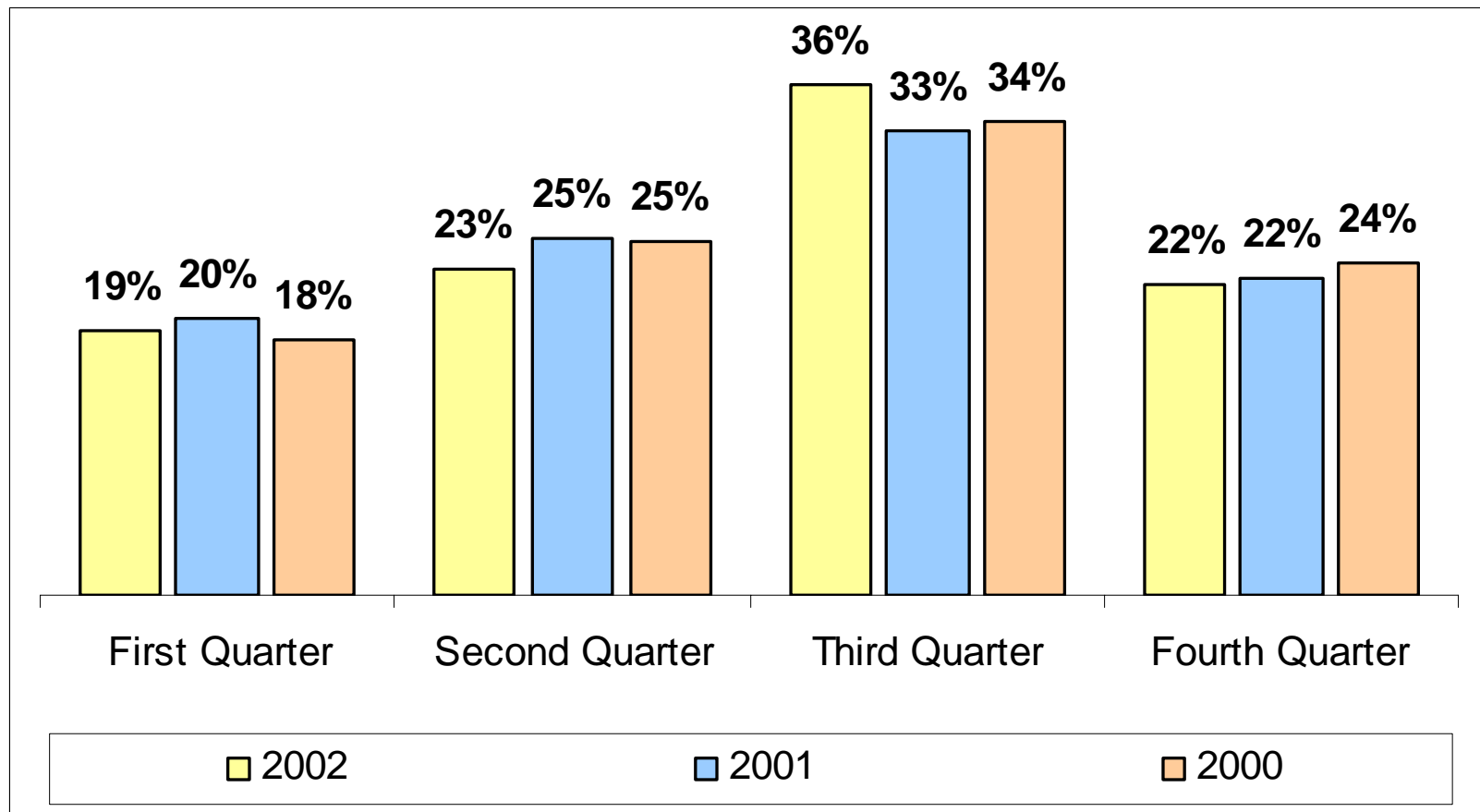
Traveler Accommodation Choice (Room-Nights based)

Rental properties and second homes comprise 37% of all room nights in the state.



Quarter Trip Started

36% of trips in New Jersey started in the third quarter. The first quarter of the year is a low point for travel for the state.

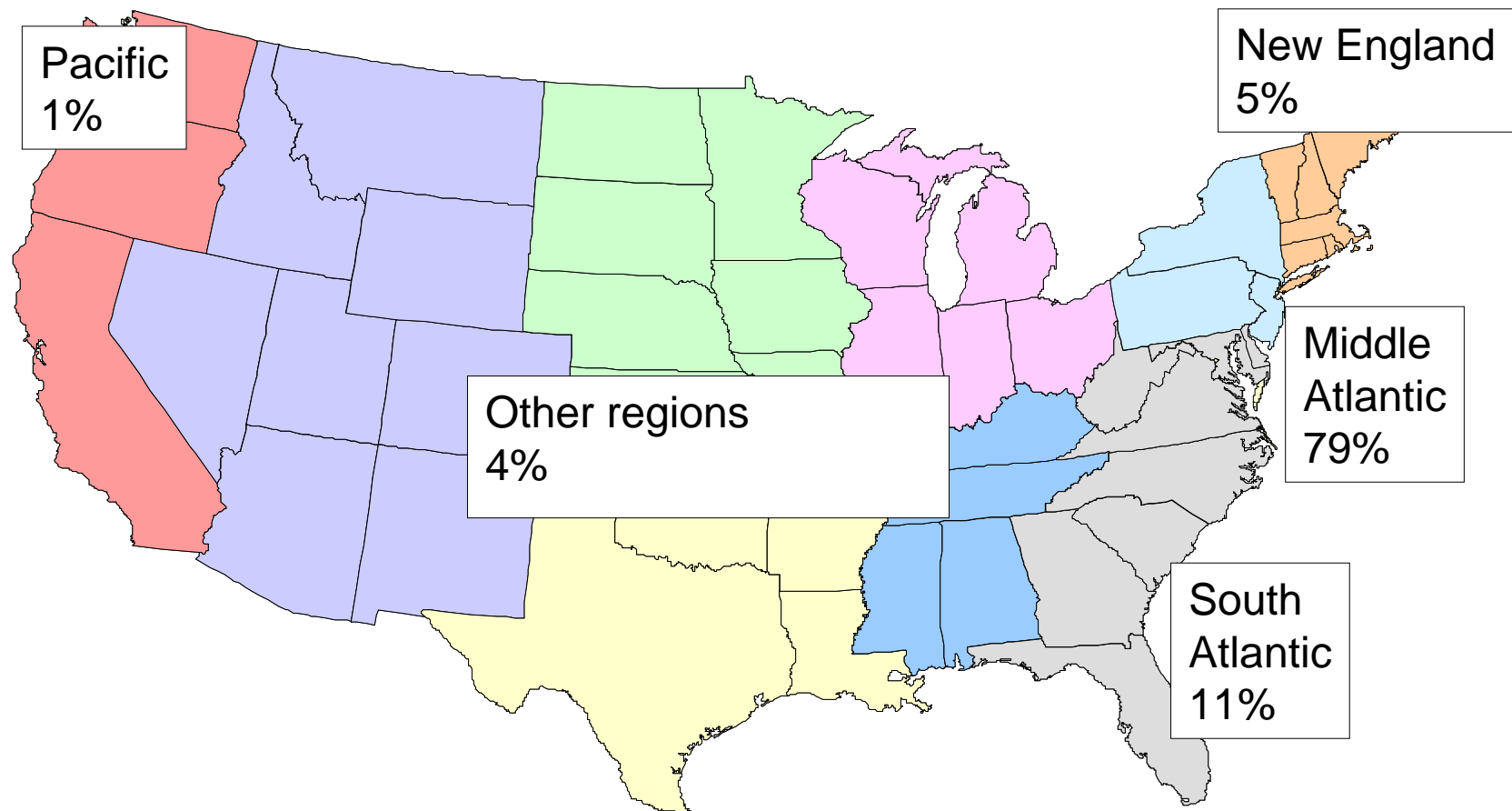


Review of 2002: Target Markets

- **Origin Census Regions**
- **Top Origin States**
- **Top Origin DMAs**

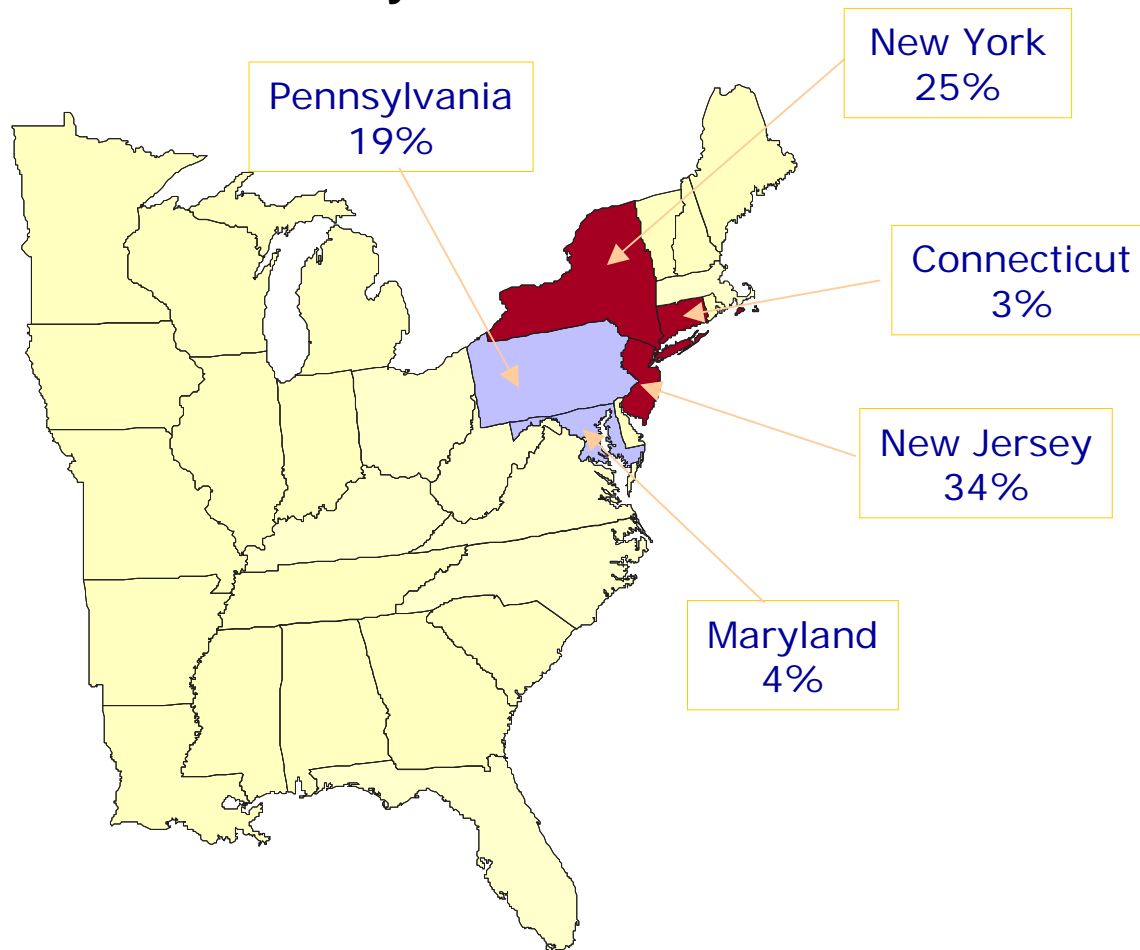
Top Origin Regions for New Jersey Travel

The highest percentage of New Jersey Travelers originated from the Middle Atlantic Region, followed by the South Atlantic region.



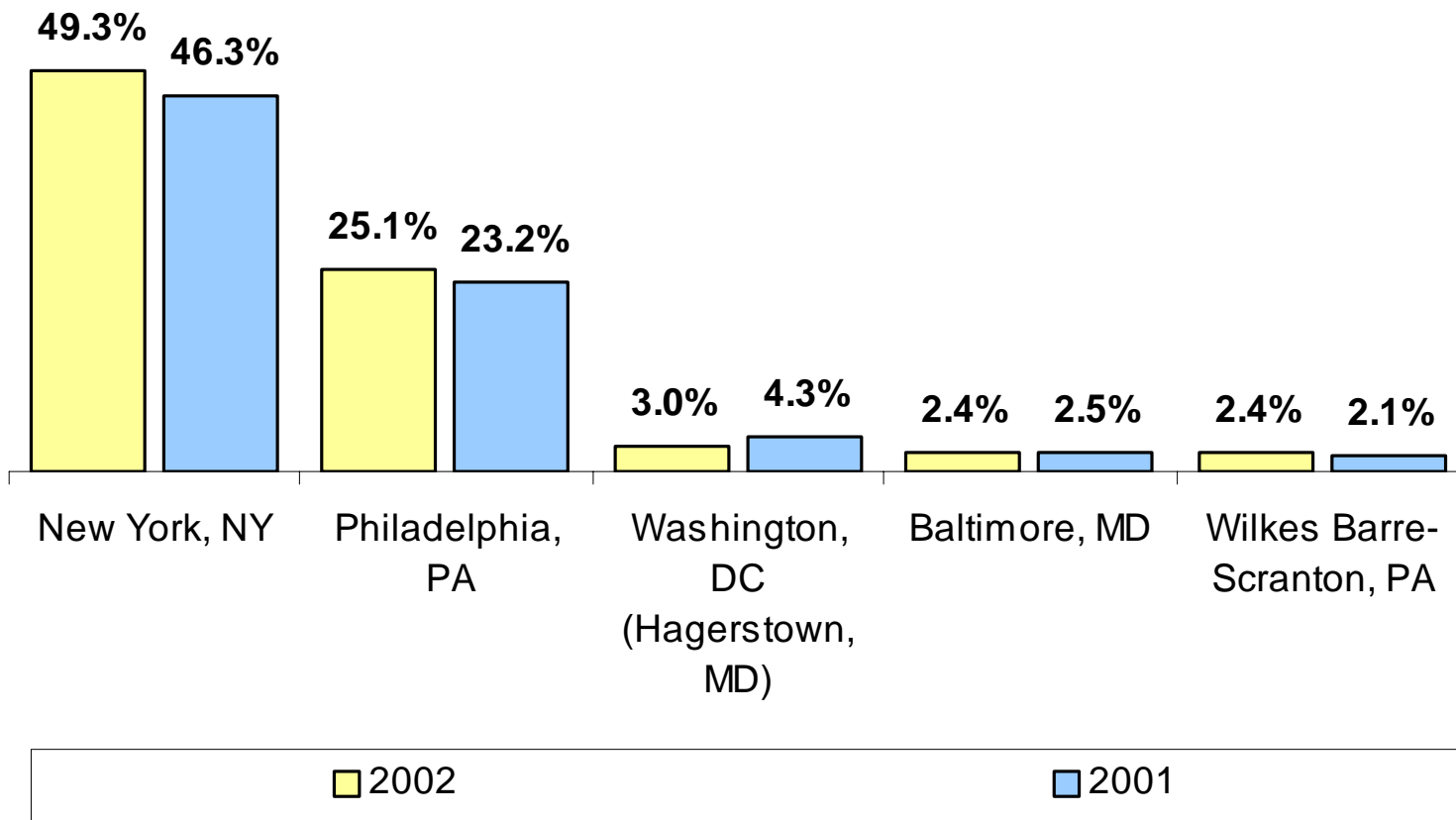
Top Origin States for New Jersey Travel

The largest share of New Jersey Travelers originated from New Jersey , followed by New York and Pennsylvania.



Top 5 Origin Market Cities

New York and Philadelphia are the two largest designated market areas (DMA's) for New Jersey tourism .



A Look Ahead: Results of Dynamic Forecasts

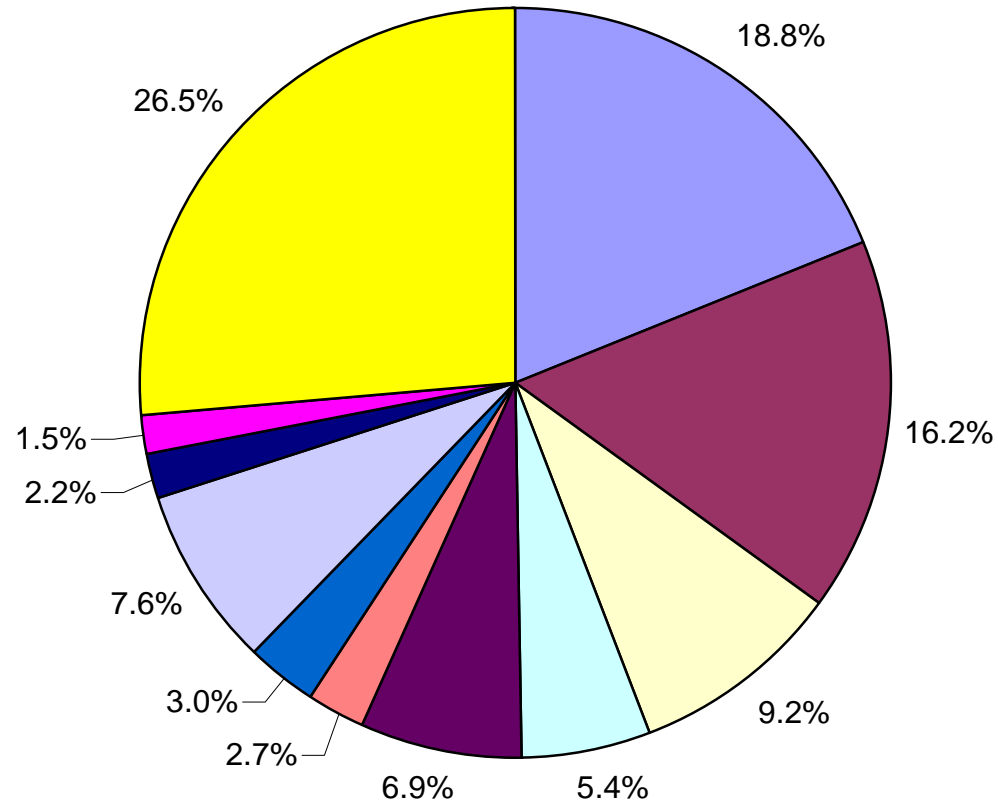
Objectives

- **Build an econometric model to formalize the process of forecasting future tourist visits and spending in New Jersey by focusing on visitors from the state's 10 key markets.**
- **Enable both industry and government in NJ to better understand the elements that affect travel to New Jersey.**
- **Develop marketing strategies consistent with future growth prospects for individual markets to maximize return on investment.**

The Model

- **Based on projections of real disposable income, employment and corporate profits by market s well as relative prices in New Jersey.**
- **Forecasts visits and spending though 2005.**
- **Forecasts business, leisure, day trips, overnight trips.**
- **Identifies growth markets and stagnant markets.**

A Look Ahead: Markets Forecasted



Philadelphia MSA	New York MSA
Monmouth-Ocean MSA	Bergen-Passaic MSA
Nassau-Suffolk MSA	Middlesex-Somerset-Hunterdon MSA
Washington MSA	Newark MSA
Baltimore MSA	Atlantic-Cape May MSA
Other Markets	



A Look Ahead: Key Findings

- **Visits to New Jersey will increase nearly 3% in 2003 and 2.4% in 2004. New Jersey is a destination dominated by drive travel, and will benefit from war uncertainties and the wariness of consumers to fly.**
- **Growth in leisure visits to New Jersey will be stronger than business visits in 2003, as vacationers seek drive destinations. In 2004, however, business visits will be stronger than leisure visits as the economy rebounds and business travel picks up around the country.**
- **Overnight visits will increase more than 4% in 2003 before moderating to less than 1% in 2004, following the trend in leisure travel. Single day visits are stronger in 2004 relative to 2003, following the pattern in business travel.**

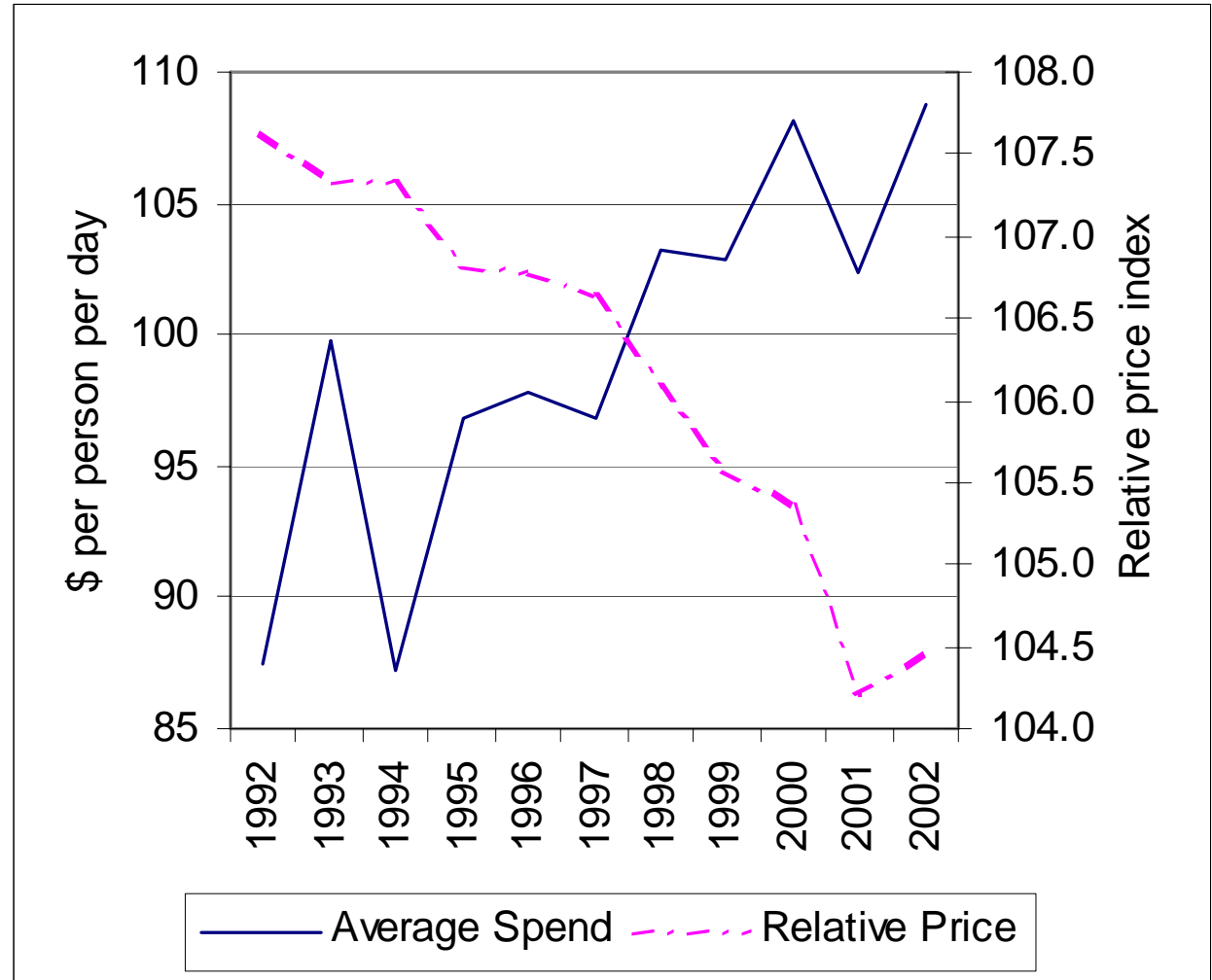


A Look Ahead: Key Findings

- **Of the two largest origin markets, Philadelphia and New York, Philadelphia will be experiencing faster growth in disposable income. This, in addition to Philadelphia's proximity to New Jersey, makes it an obvious choice for marketing activities.**
- **Four of New Jersey's top ten markets can be classified as high growth (Monmouth-Ocean, Washington, Newark) or recovering (Middlesex-Somerset-Hunderdon) markets. Visits originating from these areas are expected to grow faster than average over the next three years.**

A Look Ahead: Key Findings

Pricing has been shown to not be a significant factor in attracting visitors but has a strong positive affect on spending per visitor.

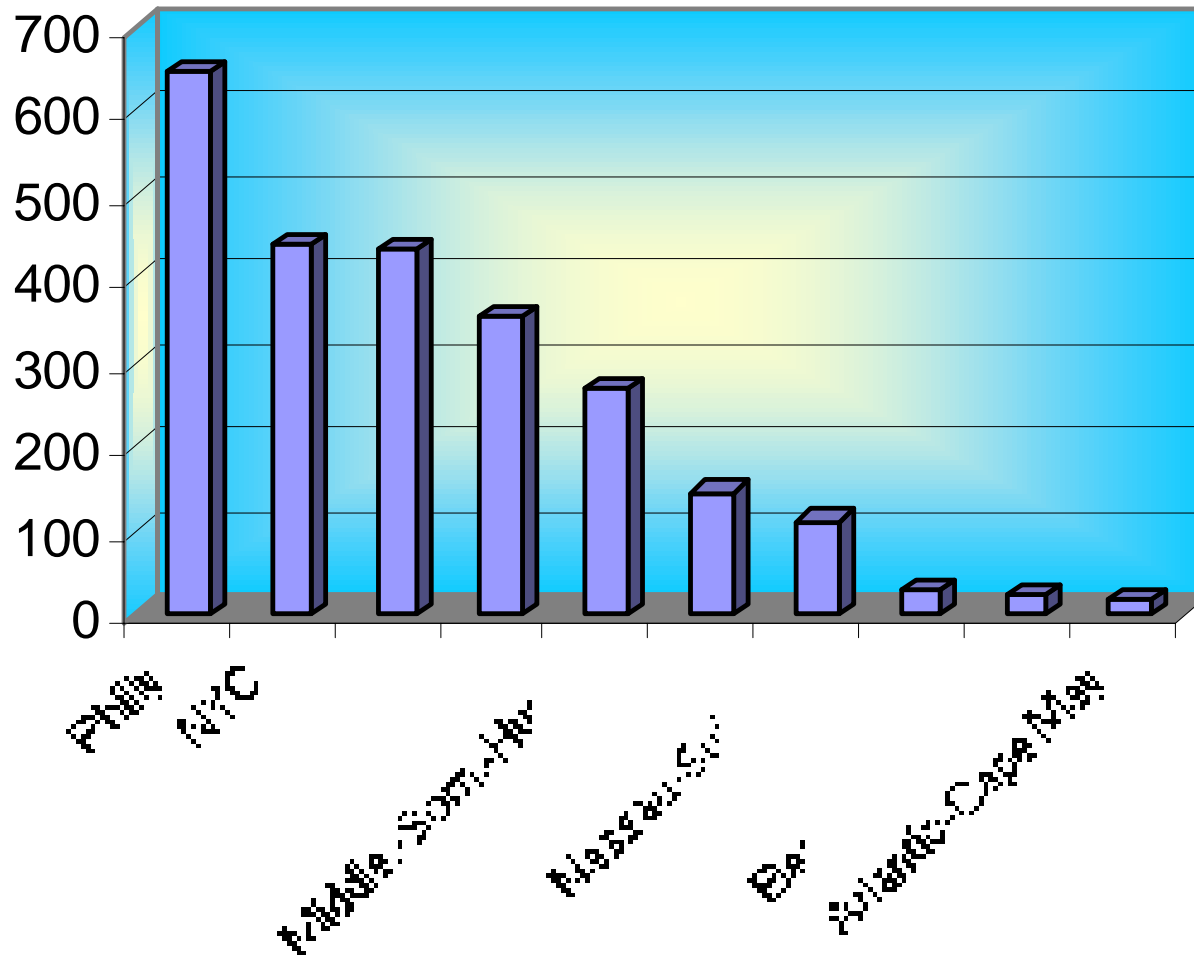


A Look Ahead: Key Findings

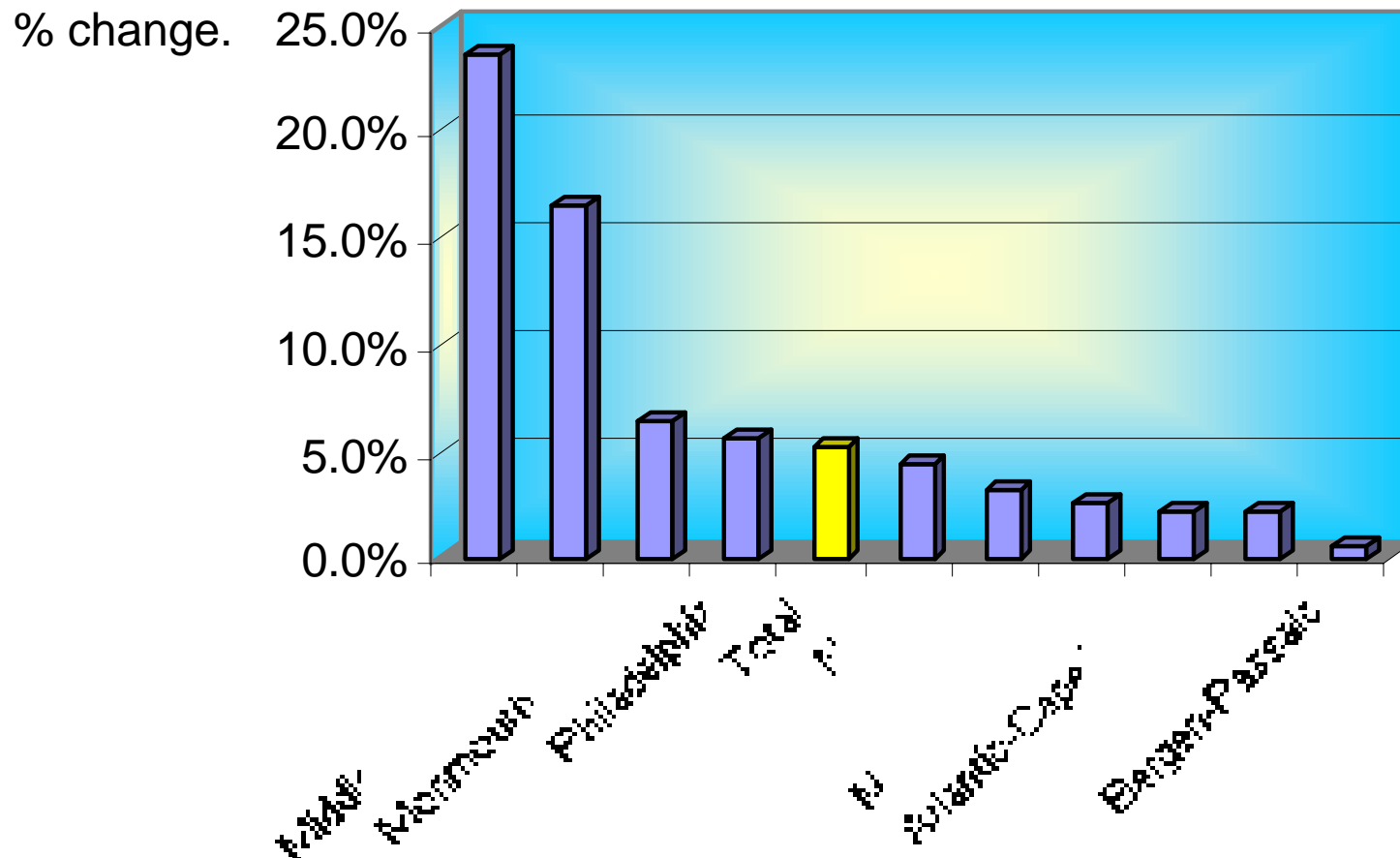
- **New Jersey tends to perform better within mild economic growth. Rapidly growing income encourages longer-haul travel with higher price tags. This partly explains the growth experienced last year and expected for this year.**
- **On a DMA basis, New York, Philly, and Washington comprise over 75% of the market for NJ travel and have also proven to be relatively more stable than outer markets.**
- **These forecasts assume static marketing. The model is designed so that scenarios of marketing can be input to determine ROI. Ongoing work.**

A Look Ahead: Additional Visitors, 2005 vs. 2002

Thous.



A Look Ahead: Total Growth, 2005 vs. 2002



The Economic Impact of Tourism: Preview

The Tourism Satellite Account

**... The National and International Standard
for measuring the economic contribution
of tourism**



What is a Tourism Satellite Account (TSA)?

- **The Tourism Satellite Account is the international standard for measuring the contribution of tourism to an economy (approved by WTO, OECD United Nations)**
- **The TSA is consistent with the UN System of National Accounts approach for measuring an economic sector.**

Why is a TSA Necessary?

- ◆ The tourism 'industry' is not measured in standard economic accounting systems.
- ◆ 'Industry' is a *supply-side* concept: the focus is on *what* is being produced.
- ◆ But 'Tourism' is a *demand-side* concept: the focus is on *who's* buying products - the visitor.
- ◆ Tourism affects parts of many industries.

Enter the TSA concept.



T&T Core Industry and Total Contribution

The TSA provides both a narrow and a broad understanding of the tourism "industry"



Tourism Satellite Account: Other States

- ⇒ **South Carolina**
- ⇒ **Virginia**
- ⇒ **Hawaii**
- ⇒ **Delaware**
- ⇒ **New Jersey**
- ⇒ **Rhode Island**



- ◆ The TSA assesses government support of the tourism sector in comparison with government revenue generated by tourism.
- ◆ The TSA allows policy-makers to compare the size and growth of tourism to that of other sectors.
- ◆ The TSA enables analysts to assess the long term health of the tourism sector via capital investment and government support.
- ◆ The TSA provides an accepted international standard for benchmarking.

Benefits of a TSA, cont.

- ◆ The TSA reveals how much of each tourist dollar is retained in state.
- ◆ The TSA quantifies how other industry sectors benefit from tourism.
- ◆ The TSA creates a framework for more accurate forecasts.

Why is the TSA Different?

- ✓ **More Detailed**
- ✓ **More Comprehensive**
- ✓ **Consistent with Int'l Standard**
- ✓ **Consistent with economic accounts
for inter-industry comparisons**

"Developing a Tourism Satellite Account is one of the best projects our agency has undertaken. We can now communicate the relevance of this aggregated industry to the economic health of our state, and better inform tourism policy. Our industry has applauded this initiative."

Isabel Hill

**Director, South Carolina Department
of Parks, Recreation and Tourism**